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Top Secret

Weekly Review

Top Secret

March 7, 1975

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It also includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review

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The Middle East: Guarded Optimism

The political and military actions of Israel and the Arab front-line states during the past week suggest that they hope and expect further steps toward peace from Secretary Kissinger's current visit to the Middle East. In spite of this optimism, there has been no relaxation of military tensions. Egypt, presumably to underscore the need for early progress in negotiations and to prepare for the possibility of renewed hostilities in the future, is continuing efforts to augment and consolidate its military disposition along the Suez Canal. The Israelis have reacted to this activity only with public expressions of concern.

Positions of the Parties

In the brief period since Secretary Kissinger's last trip to the area, Egyptian media have spoken daily—and with considerable optimism—of the prospects for concluding another disengagement agreement during the Secretary's current visit. President Sadat drew attention to one area of flexibility by suggesting, albeit obliquely, that the US can serve as a guarantor of Egypt's pledge to refrain from war so long as negotiations remain alive. Sadat also demonstrated his commitment to the negotiating process and his expectation that the results will justify the risks he is taking by publicly defending Egypt's right to continue disengagement talks against vigorous criticism from the Palestinians.

To reassure the other Arabs, Sadat has claimed that he will not grant any political con-

cessions to gain a further Israeli withdrawal. In the same vein, Egyptian press commentators and government officials have stressed that another Egyptian-Israeli agreement will not end Egypt's obligations to the other Arabs.

The Syrians, aware of Cairo's pivotal role in negotiations, have tried to keep the pressure on Sadat in hopes of preventing him from concluding an agreement with Israel that does not in some way take into account Syrian and Palestinian interests. At the same time, Syrian Foreign Ministry officials are privately holding to the positive note struck by President Asad when he said in an interview published last week that Damascus is ready, if and when the terms are right, to sign a formal peace treaty with Israel. The Syrians probably hope this will encourage Israeli leaders to consider a further withdrawal on the Golan Heights as soon as the next Sinai accord is reached. For bargaining purposes, at least, Asad is still demanding a uniform Israeli withdrawal along the length of the current disengagement line; he continues to reject the idea of a more limited pullback south of al-Qunaytirah.

Israeli Prime Minister Rabin, meanwhile, has formed a study group at the sub-cabinet level to consider options and to draft working papers covering a second-stage Israeli-Egyptian agreement. The five-man group reportedly is focusing on options for a broad agreement that would involve an Israeli pullback from the Gidi and Mitla passes and the Abu Rudays oil fields.

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Rabin faces considerable opposition to any such agreement within his government and among the public. Defense Minister Peres has said that a straightforward Egyptian undertaking to abandon war against Israel will be necessary before Tel Aviv can satisfy Cairo's demand for a pullback from the passes and the oil fields. The rightist Likud bloc, with wide public support, is planning a demonstration in Tel Aviv on March 8 to protest any concessions by Israel that are not accompanied by a formal peace agreement.

Egyptian-Palestinian Dispute

Leaders of the Palestine Liberation Organization were thrown off balance by Sadat's uncharacteristically strong reaction to their policy statement of February 26, which condemned step-by-step negotiations. They have been moving cautiously this week to repair the damage to Palestinian-Egyptian relations. The Palestinians are still leery of another agreement between Egypt and Israel, however, and are continuing quiet efforts to marshal Arab support for their position. PLO delegations are visiting eight Arab capitals.

A PLO spokesman said on March 3 that Faruq Qaddumi, head of the PLO political department, will lead a delegation to Cairo in the "near future" to meet with Egyptian Foreign Minister Fahmi. The group can be expected to minimize the importance of the offending PLO statement and to argue that the Palestinians were condemning the US rather than Egypt. Palestinian broadcasts from Cairo have already attempted to explain that the PLO was not attacking Egypt, and have claimed that both sides have agreed to "contain the crisis for the sake of Arab unity." A number of second-level Palestinian leaders have spoken candidly in public of the need for a return to normal relations with Egypt.

President Sadat will be meeting with Secretary Kissinger in Aswan when the Palestinians are expected to arrive in Cairo, and he will probably not meet personally with the delegation. Sadat has given no sign that he has backed down from his demands that the PLO either

RAID ON TEL AVIV

On the night of March 5, members of PLO leader Yasir Arafat's Fatah group, coming from the sea, mounted a spectacular raid on Tel Aviv, Israel's largest city. At least 13 persons were killed in the incident, including, according to press reports, seven of the eight fedayeen. In a talk with newsmen on March 6, the leader of Fatah's terrorist Black September Organization linked the operation with Secretary Kissinger's visit to the Middle East. He indicated that the Palestinians' purpose was to emphasize that peace in the area is unattainable without their participation.

The raid should have no adverse effect on Israeli-Egyptian negotiations. Official statements issued by both parties emphasized that efforts to reach a peaceful solution must continue. The incident will, however, reinforce Tel Aviv's determination to exclude the PLO from any peace negotiations. More immediately, the Rabin government will be under strong pressure to strike against Palestinian bases.

withdraw its policy statement or send the entire PLO executive committee to Egypt to iron out Egyptian-Palestinian differences. The Qaddumi visit, however, will probably lead to a reduction of tensions and clear the way for a subsequent meeting between Sadat and PLO chairman Yasir Arafat.

Arafat has so far avoided public comment on the contretemps with Egypt. He presumably believes that Palestinian dignity requires him to avoid a public apology, and that he must protect his own position by denying his more radical colleagues the opportunity to brand him a collaborator in Sadat's dealings with the US. Arafat may also believe that the current hue and cry puts pressure on Sadat to keep Palestinian interests in mind during the present round of negotiations. Although Arafat is suspicious of the step-by-step tactics employed by Sadat, he still hopes the Egyptians can come up with something concrete for the Palestinians.

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Sadat

Should the Egyptian efforts ultimately produce nothing, or if the Palestinians are excluded from the negotiating process, Arafat would probably speak out forcefully against any agreement with Israel and endorse an increase in fedayeen terrorism. The PLO leader may already have this option in mind.

so far as to tell the Egyptians and the Syrians that, while they still prefer moving the negotiations to Geneva, Moscow will not obstruct Secretary Kissinger's efforts.

Moscow probably calculates that if a new Sinai disengagement is worked out, the next step in the negotiating process would have to involve Syria. The Soviets probably believe that the Syrians will be much more likely than the Egyptians to bring them into the negotiating process and may think that the US will be interested in having Moscow use its influence in Damascus on behalf of a settlement. At a minimum, Brezhnev and his regime will be better able to save face from what has been a protracted bad period for the Soviets in the Middle East. The durability of the present Soviet position, of course, will depend on progress in the talks and the role Moscow is, in fact, allowed to play.

Moscow Makes the Best of It

The Soviets are now saying privately that they will not oppose a new Egyptian-Israeli disengagement agreement and are even claiming that they are actively working to abet the peace negotiations. Moscow's public statements show that it still resents US domination of the negotiations, but it has apparently concluded that it cannot block the present process and that it is better for the Kremlin to cast its lot with the discussions—and claim some role for their success—than to remain on the sidelines.

The Egyptian and Syrian ambassadors in Moscow have ascribed the new Soviet attitude to the meeting of Secretary Kissinger and Foreign Minister Gromyko in Geneva two weeks ago. Another knowledgeable Arab diplomat has said that after the Geneva talks the Soviets went

Meanwhile, the Soviets are taking some steps to keep their relations with Cairo—which are fraught with suspicion and recriminations—from deteriorating any further. Last month, they resumed shipments of fighter aircraft to Egypt—the first deliveries since 1973. About ten MIG-23s and at least four SU-20 Fitter-C fighter/bombers arrived in Alexandria in February, but because the contracts for these aircraft were signed prior to the 1973 war, the deliveries do not satisfy President Sadat's demands for a new arms agreement. Since last August, Moscow has also been delivering spare parts, ammunition, and ground support equipment to Egypt. Actual and anticipated Soviet deliveries, however, will not compensate for Egypt's 1973 war losses.

CAMBODIA: LIFE LINE THREATENED

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Phnom Penh's worst fears were realized this week as the Khmer Communists began artillery attacks against Pochentong airport, briefly halting the vital US airlift. The shelling followed the Communists' capture of the town of Toul Leap, which allowed them to move captured 105-mm. howitzers within seven miles of the airport. At week's end, government forces launched an all-out effort to retake Toul Leap before the insurgent artillery ends the US airlift and forecloses Phnom Penh's last hope for continuing resupply.

asserted that the agreement had been reached while he was in Hanoi in mid-February. Privately, Sihanouk elaborated by saying that North Vietnamese Premier Pham Van Dong and Defense Minister Giap had agreed to facilitate the transshipment of military equipment provided by China.

With government attention focused west of Phnom Penh, other Communist units have been edging toward the capital from the northeast. Government troops have lost four riverside positions in this area, and insurgent mortar and recoilless-rifle crews are now within range of the main navy headquarters. Rockets fired from the Mekong River's east bank and from elsewhere around the capital continue to take a toll of civilian lives.

INDOCHINA: NEW SOVIET INTEREST

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The Soviets have sent Deputy Foreign Minister Firyubin on a hastily arranged trip to Indochina for a firsthand look at the situation. Soviet army chief of staff Kulikov was also in Hanoi in December, ostensibly for the celebration of the North Vietnamese army's anniversary. Presumably, Kulikov sounded out the North Vietnamese at that time regarding their military intentions in South Vietnam during the dry season. Firyubin almost certainly covered this same ground, particularly in view of signs that Hanoi is readying a new phase of its dry season campaign in South Vietnam.

Communist attacks against government holdings farther south along the Mekong are also continuing without letup. Navy convoys from Phnom Penh are still getting through to the beleaguered enclave at Neak Luong and the remaining beachheads on the lower reaches of the river, but at considerable cost: two landing craft and a patrol boat were lost this week. The navy's Mekong flotilla has been reduced by half since the beginning of the year, and military leaders have now postponed indefinitely any further efforts to reopen the river in order to conserve resources for the defenses of Phnom Penh.

Cambodia—which did not loom so large in December—was probably high on Firyubin's agenda. In addition to getting a better appreciation of the situation, and of how Hanoi and the Khmer Communists see it developing in the coming weeks, Firyubin may have sought to place Moscow in a position to exert some influence in the event of a complete Communist victory in Cambodia.

More Arms from Hanoi

In a press interview last week, Prince Sihanouk claimed that Hanoi had agreed to increase its arms deliveries to the insurgents in response to the US airlift to Phnom Penh. The prince

Until recently, the Soviets were openly stating that a military solution in Cambodia was not possible and were urging negotiations. Now they find themselves having diplomatic relations with the Lon Nol government, weak ties with the Khmer Communists, and little prospect of working with Sihanouk, who is dependent on Peking.

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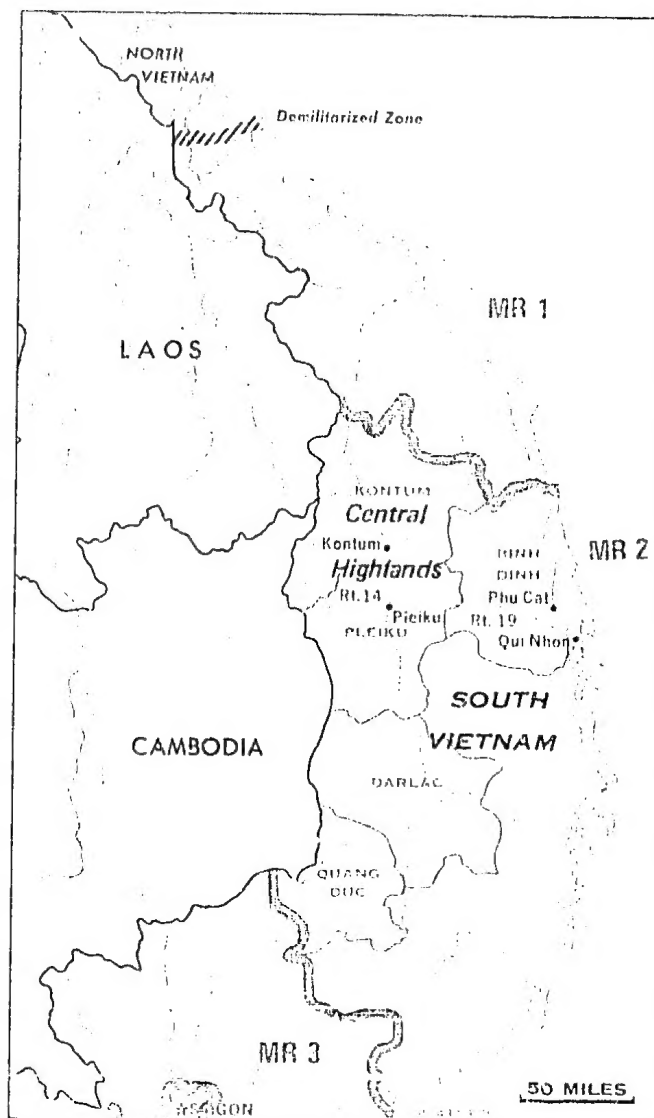
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VIETNAM: FIGHTING INCREASES

The surge in fighting in the central highlands this week suggests that the North Vietnamese spring campaign has started in that area. Communist units attacked and overran several outposts in Kontum and Pleiku provinces and interdicted strategic Highway 19, which links the highlands to the coast. Two of the government's important air bases—at Pleiku and at Phu Cat in Binh Dinh Province—were shelled. Stepped-up attacks were also reported in the northern provinces and north of Saigon, but these could have been in response to a recent increase in South Vietnamese military operations.

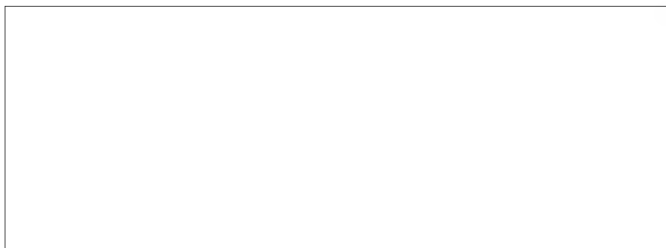
The government's first task in the highlands will be to reopen Highway 19 between Pleiku City and Qui Nhon. The Communists have succeeded in destroying at least nine bridges and culverts, and have overrun two fire bases guarding important mountain passes; they apparently plan to step up the pressure gradually against the two highland capitals—Pleiku and Kontum—while keeping the highway cut. If Route 19 stays closed for any significant period of time, the government would be hard pressed to airlift sufficient supplies to hold these two capitals. Even with the highway open, the South Vietnamese face a difficult situation in the highlands. Kontum City is especially vulnerable. It is the last remaining stronghold in Kontum Province and depends upon Highway 14 from Pleiku City for resupply. The Communists can easily cut this road, and it would be difficult for the city's small airfield to handle the number of flights needed to resupply the garrison by air.

The new fighting in the highlands has caused the South Vietnamese regional commander to defer earlier plans to shift government units. Originally, parts of a division were to be moved south from Pleiku to the Darlac-Quang Duc province border area to offset the suspected relocation of a North Vietnamese division. The commander now believes that not only will the government division be needed in Pleiku and Kontum, but that additional units should be brought in from the coast.



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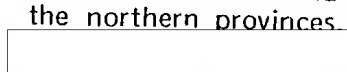
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Much of the manpower has already arrived, and other troops in the pipeline should reach their destinations over the next few weeks. The new troops appear to be more than sufficient to replace Communist losses and strengthen units in preparation for new fighting.

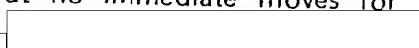
During the first three months of the current dry season, the North Vietnamese concentrated on moving manpower to the provinces around Saigon and to the highlands. Since mid-February, troops have been going to the north-central coast for the first time since last summer. As the dry season progresses, it is likely that Hanoi will lessen the troop flow to the southern areas and send an increasing number to the northern provinces.



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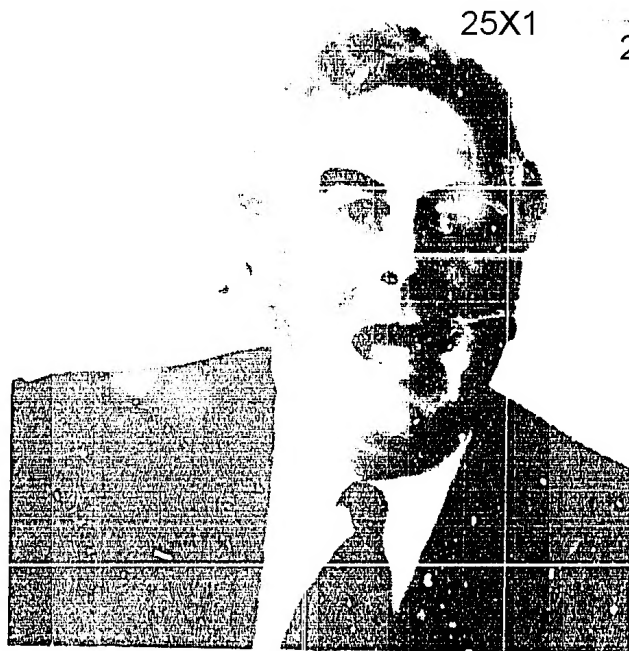
During the parliamentary hassle over the House speaker, some Laborites openly showed dismay over what they considered the government's undignified behavior. Three cabinet members abstained on a government motion that reflected adversely on the speaker's competence. This unusual public break in traditionally tight party discipline could have ominous implications for Labor Party unity in the event of an electoral campaign.

The government is also increasingly frustrated by its minority position in the upper house. The Senate last week voted down eight bills the administration regards as essential. This gives the government legal grounds for dissolving parliament and calling elections. Even though the government's popularity has recovered slightly from an all-time low, Labor is still not anxious to go before the voters. Nor is the Liberal-Country opposition, despite its posturing, sure that it wants to take on responsibility at this time for economic problems that have no easy solutions. The prospect is thus for continuing bluster but no immediate moves for holding elections.



AUSTRALIA: ELECTION NERVES

Even though national elections are not definitely in the cards, the edginess of both the Labor government and the opposition coalition was clearly evident last week in a series of parliamentary sessions that were exceptionally disorderly even by Australian standards of hurly-burly. During one prolonged uproar, the government forced the resignation of its own speaker of the House of Representatives. At one point in the debate, Prime Minister Whitlam, who felt the speaker had been ineffective in handling opposition needling of a cabinet minister, belittled him within earshot of opposition members. Another indication of Whitlam's recent testiness over his government's precarious political position has been his frequent petty denigration in public of opposition leader Billy Snedden.



Whitlam

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CHINA: THE NEW CAMPAIGN

The Chinese are not comfortable unless they are conducting some sort of campaign. Last year's anti-Confucius campaign was terminated prematurely after it led to widespread public disturbances. This year's exercise—a nationwide campaign to study the "theory of the dictatorship of the proletariat"—seems in part to be an effort to correct last year's excesses.

Peking has not made its goals in this study campaign entirely clear yet. Stricter enforcement of party directives, especially as they relate to the troubled economy, certainly seems to be one of its purposes, but the door has been left open for possible new attacks on provincial or national leaders as well.

The campaign was officially launched on February 9th with an editorial in *People's Daily*, the party's official paper. This article and others that followed called on everyone to study a new "Mao quotation" on proletarian dictatorship. Besides demanding stricter adherence to party directives and an end to public disturbances, the articles continue the strong attack on a number of common economic practices the Chinese consider bourgeois. Cadre who tolerate these practices are also criticized, but the tone is not vindictive. One article, however, by Chou Ssu, a pseudonym that suggests the views expounded in the article may be close to those of Chou En-lai, seems to warn cadre that they may be purged if they persist in their errors.

The dominant themes of the campaign—improving social order and production—are generally associated with positions held by the more moderate elements in the national leadership, and these elements appear to be behind the current campaign. Production and transportation problems almost certainly played a part in the curtailment of the anti-Confucius campaign last summer.

One of the more intriguing aspects of the new campaign is a theoretical statement by Politburo member and leftist ideologue Yao Wen-yuan published in the latest issue of the

journal *Red Flag*, which is obviously meant to provide much of the ideological underpinning of the campaign. Yao pays somewhat less attention to economic issues than do most of the other major articles and editorials associated with the campaign, and elaborates on the new "Mao quotation" by discussing at length the disparities in wage scales and living standards built into the Chinese political and economic system at the "current stage of socialism."

In the opening phases of his argument, Yao strongly implies that these disparities can be exploited and intensified by secret enemies of communism nestled within the Chinese Communist Party, thus suggesting that these anomalies must be eliminated, but the final third of his article strongly endorses the current emphasis on unity and order. Yao's strictures against "shrewd and crafty old bourgeois elements" who stay behind the scenes manipulating impressionable youngsters may well be a veiled attack on those who attempted to use the anti-Confucius campaign last spring to stir up trouble in the provinces. If so, it could be an attempt on Yao's part to disassociate himself from such people. Although an apparently unreconstructed leftist, Yao in both 1967 and 1968 attacked "ultra-leftism"; the 1967 article was, in fact, the first salvo in a movement that led three years later to the purge of Chen Po-ta, a leading civilian "leftist" associate of Yao's.

The ambiguities contained in Yao's article have been present in the current campaign since it was first heralded at the National People's Congress by Chang Chun-chiao, a vice premier and Politburo standing committee member. The question of disparities in the wage scale and other aspects of China's economic system, for example, remains very much open. The new campaign could be used to reduce these disparities, but it could also be used to defend these differences while China continues to develop and modernize its economy. The latter course was strongly suggested by the publication of a series of selective quotations on "bourgeois rights" from the works of Marx, Engels, and

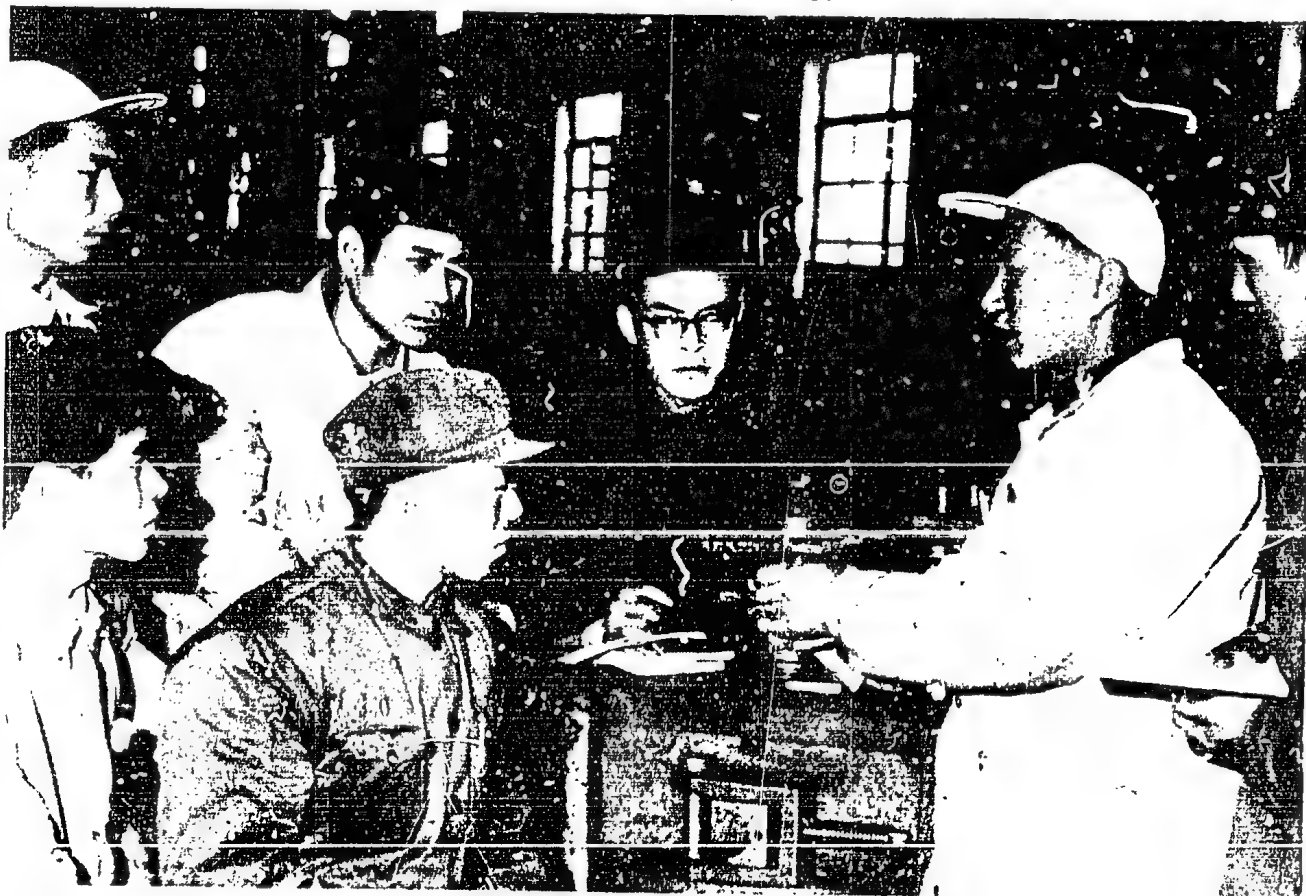
Lenin, which occupied three of the four pages of a recent issue of *People's Daily*.

In this ambiguous situation, the position of Mao himself is, as always, of great importance. The new "quotation" could be interpreted as either an attack on "bourgeois rights" or a defense of them in the current Chinese context. In his article, Yao makes pointed reference to the practice of "waving the red flag to oppose the red flag"—that is, the practice of distorting policy directives for factional political ends—an emotionally charged catch-phrase that was frequently employed during the Cultural Revolution. It is not clear, however, if Yao was referring to unnamed "enemies" who emphasized the wrong themes in the current campaign or to those who attempted to exploit the fluid political situation last year.

In the past several years, the Chairman's concerns seemed to have centered on foreign policy, particularly on ensuring continued opposition to Moscow, and on ensuring that the political power of the military was firmly curbed. It is not yet clear whether his attention has shifted to domestic matters in the aftermath of the National People's Congress. In any event, he has been away from Peking for eight months, and he attended neither the congress nor the central committee plenum that preceded it. Moreover, in the past week he has failed to see two foreign visitors who normally would be accorded an audience. If Mao continues to remain inactive, questions regarding his status are bound to be raised in China, and officials are already attempting to minimize this incipient problem—without a great deal of success thus far.

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Political meeting in Shanghai shipyard



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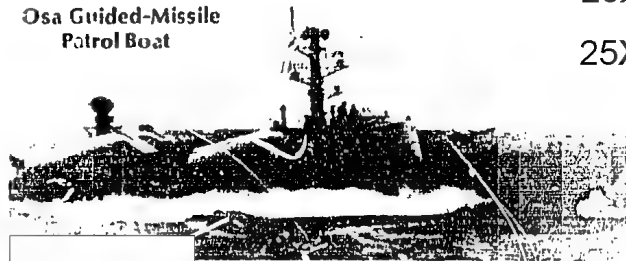
CHINA: MORE MISSILE BOATS TO STRAIT

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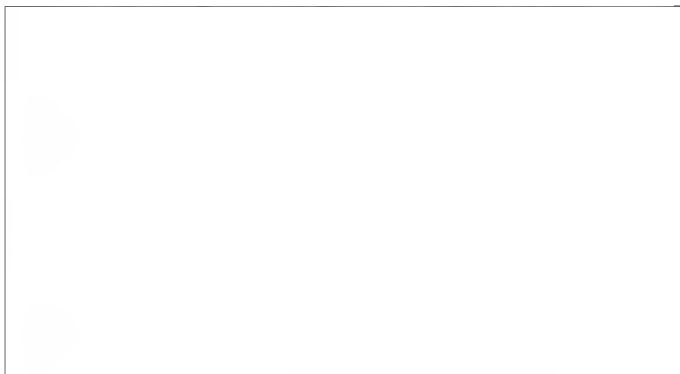
Osa Guided-Missile
Patrol Boat

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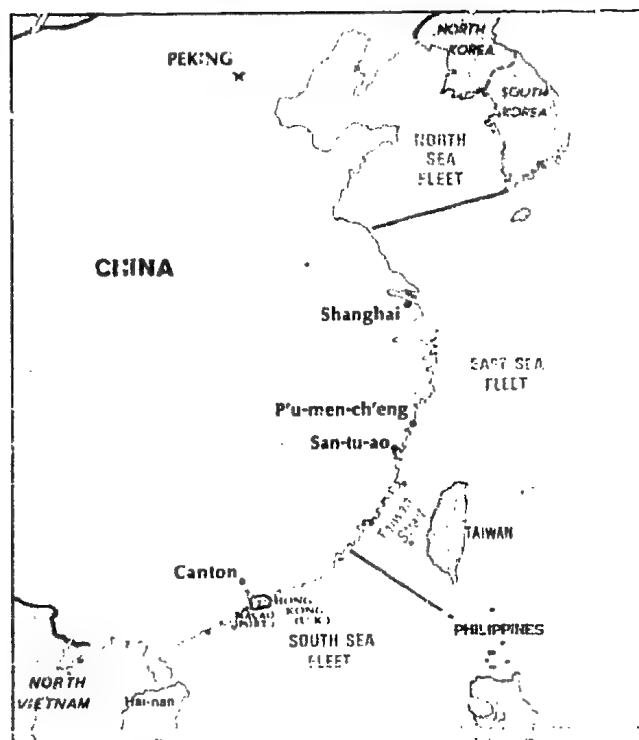


Stationing Osas near the strait provides protection for Chinese Communist ships in transit and helps keep open access to the South Sea Fleet area.

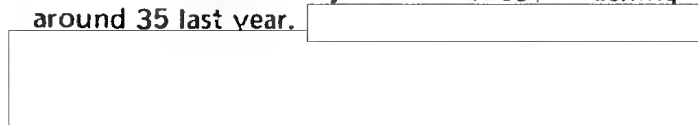


Peking began stationing Osas at the Pu-men-cheng naval facility more than a year ago. Since that time, the Chinese have been gradually adding to their missile boat force in the strait area.

The build-up of Osas obviously has aroused some concern in Taipei. Military leaders there consider that the deployment enhances Peking's ability to support military operations against the offshore islands and is a threat to Nationalist vessels plying the strait. There is not necessarily any particular threat, however, as the deployments are part of a continuing pattern of allocating missile boats to all three fleet areas to provide a more balanced defense along the entire coastline of Communist China.



Chinese naval production continues to emphasize guided-missile patrol boats and submarines rather than large surface warships. Peking now has about 135 guided-missile patrol boats in service. Annual production has increased substantially since 1969, reaching around 35 last year.



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UK: WILSON CONFRONTS EC ISSUE

Prime Minister Wilson faces a tough fight in Parliament and within his own Labor Party over the government's proposed referendum on the EC issue. Domestic political reaction to the guidelines for the referendum set out in the recent white paper has been largely negative.

Wilson is still expected to come out in favor of Britain's continued membership, but the outcome of the referendum—which will probably be held in June—pretty much hinges on how strongly he and his principal cabinet officers speak out in support. Both supporters and opponents of continued EC membership believe that at the moment the majority of voters oppose continued affiliation with the Community.

The government's major proposals for the referendum are:

- a simple majority will suffice to bind the government;
- votes will be counted centrally rather than by region or constituency;
- the referendum question should read: "The government have announced the results of renegotiation of the UK's terms of membership in the EC. Do you think the UK should stay in the EC?";
- an explanation of the results of the renegotiations and the pros and cons of continued membership will be mailed to each registered voter;
- limited government funds will be available to both pro- and anti-market groups.

The most contentious proposal promises to be the method of counting the ballots. Scottish and Welsh nationalists want the votes counted regionally so that opposition to EC membership in their areas would be clearly defined and not lost in a national tally. They have threatened to hold their own regional referendum if the government's national tally plan prevails. The anti-market Trades Union Congress, an important

part of the ruling Labor Party, wants the votes to be tallied in each of the country's 635 electoral districts so that each Member of Parliament would know how his constituents viewed EC membership. Government leaders recognize that a single national count, on the other hand, offers the best hope for staying in the EC.

Parliamentary debate will focus on the advisability of holding what would be Britain's first referendum and on the wording of the question. The Tories have said they plan a line-by-line debate, focusing on the constitutional question of whether the referendum encroaches on parliamentary sovereignty. The anti-marketeters opposed to the wording of the question, especially the term "stay in," prefer asking the electorate whether Britain "should be" a member of the EC.

The government's plan to hold the referendum in June could be thwarted if parliamentary debate is prolonged or if the opposition parties decide to hold up passage of the enabling legislation. One member of the House of Lords already has said that he will try to organize that body to block the legislation. Even parliamentary Labor Party members opposed to one or another aspect of the government's plans could interfere with the timetable. Several members have indicated that the government will have difficulty maintaining discipline during votes on the referendum legislation. The Labor Party intends to hold a special conference on May 17 that is likely to highlight the divisiveness of the EC question within the party.

Although the government will be bound by the referendum, the question of Parliament's role remains open. Given the fact that the majority of Parliament supports EC membership, a large voter turnout favoring continued membership will present no problems. If the turnout is small and the result is against membership, however, Parliament might be tempted to reassert its sovereignty even if this means going against the will of the electorate. This could generate irresistible pressure for a new general election.

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SOVIET CULTURAL SCENE SIMMERS

In recent months, the regime's more sophisticated and pragmatic approach to culture and to dissident activities has generated a budding—though still uneasy—optimism among intellectuals both in and out of the establishment. Many activists are warning, however, that by cautiously extending the limits of officially acceptable cultural activity, the regime may find it easier to isolate and stamp out hard-core dissidence.

The authorities' handling of Moscow's "unofficial" artists illustrates the present approach. The artists, who held a one-day outdoor show last September, were subsequently so harassed that they gave up plans for a no-holds-barred indoor show in December. After accepting a degree of control, however, some 20 of the artists were permitted to hold a week-long exhibit last month. The exhibit, which reportedly was attended by thousands of people, was the first officially sponsored indoor show of unconventional art since the 1920s. The artists' Leningrad colleagues, who had held an officially approved exhibit there in late December, were prevented by police from staging a simultaneous but unofficial show in a Moscow apartment. The tactics of the authorities split the dissident ranks over whether to stand on principle or to accept concessions with strings attached.

To demonstrate that there is now more tolerance within the establishment, authorities have allowed the narrow realm

of adventurous official art an unusual prominence since mid-December. Several concerts of avant-garde music were attended by many prominent cultural figures. There was a jazz tribute to Duke Ellington, and even a noisy recital by a Soviet rock group. In painting, two official shows in January brought to public light, for the first time since the 1920s, some of the Soviet avant-garde art of that decade.

The regime has taken the same carrot-and-stick approach toward individual dissident gadflies. For example, writer Vladimir Maramzin, who was charged with anti-Soviet slander but had publicly apologized for his "crimes," received only

a five-year suspended sentence from a Leningrad court last week. Similarly, Viktor Krasin, a once-prominent activist who has been shunned by his colleagues since he recanted at his trial in 1973, reportedly has received an exit permit and will soon leave for Canada.

These moves contrast with the recent arrest of the stubborn dissident, Anatoly Marchenko, who is expected to go on trial soon for repeatedly violating his parole since he was released from a labor camp four years ago. In addition, the increased harassment of the most prominent dissident spokesman, Andrey Sakharov, seems to be a warning that his stature at home and abroad cannot guarantee indefinite immunity.

The regime's tactics in cultural affairs are being linked by some Soviet intellectuals to the appointment last November of candidate Politburo member Petr Demichev as minister of culture. Demichev's appointment required that he be removed from the party secretariat, where he had long been responsible for propaganda and culture, and had been viewed as a generally moderating influence. No successor to the party post has yet been announced, however, and his present, self-assured implementation of cultural policy suggests that he is taking advantage of the vacuum in cultural affairs on the secretariat to exercise more authority over culture than is usual for a minister.



Unconventional art
on exhibit in Moscow

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YUGOSLAVIA: NEW SOVIET EQUIPMENT 25X1

Recent Soviet deliveries of military equipment to Yugoslavia are the largest since shipments resumed in 1973.

This is the first time that either the Hormone or the SA-3 has been seen in Yugoslavia. The Hormone helicopter can be used for anti-submarine warfare, search-and-rescue operations, and possibly for land-based assault transport. Fully loaded, it has a range of 250 nautical miles. Syria is the only other country outside the USSR that has received the Hormone.

The SA-3 is primarily designed for defense against aircraft flying at low to medium altitudes. Under optimal conditions, it is effective against aircraft flying as low as 150 feet. The launchers seen in Yugoslavia are a newer type—having four instead of the standard two rails. The newer version has been seen in only two countries outside the USSR—East Germany and Libya. Most Warsaw Pact and some Arab countries, however, have the standard system.

Relations between Moscow and Belgrade cooled last year as a result of alleged Soviet interference in Yugoslavia's internal affairs. Military deliveries were not interrupted, however, and Moscow may see them as a way to enhance its influence among the Yugoslav military. The Yugoslavs are expected to continue to look both to the USSR and the West for modern arms. Belgrade is probably especially interested in receiving modern tanks to replace those sent to Egypt in 1973.

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ITALY: PARTY YOUTH DEFY FANFANI

A sharp clash between the Christian Democrats' leader, Amintore Fanfani, and their youth section has added to the party's troubles as it prepares for the crucial local elections scheduled for June.

The Christian Democrats' youth organization was lukewarm to the 67-year-old Fanfani when he resumed control of the party nearly two years ago and became increasingly critical during the last year as the Christian Democrats lost ground to the left in several key contests. More recently, the youth leaders have ridiculed Fanfani's platform for the coming elections, which calls for tougher law-and-order measures, criticizes the Socialists' demand for more governmental influence, and rules out closer relations with the Communist opposition.



Fanfani

The deteriorating relations between Fanfani and the young Christian Democrats finally hit bottom last week when they charged he was unfit to continue in his position. Fanfani struck back immediately, dismissing the leaders of the youth contingent and appointing a committee to select new ones. In retaliation, young Christian Democrats occupied party offices in several cities and staged a protest outside Christian Democrat headquarters in Rome.

The youth revolt will stiffen opposition to Fanfani among left-wing Christian Democrats and strengthen doubts about his leadership among party moderates. Two left-wing factions—about 20 percent of the regular party membership—opposed Fanfani in a vote on his dismissal of the youth leaders. Grumbling within the majority that supported him, moreover, suggests that many of his supporters find the ouster distasteful and are embarrassed by Fanfani's handling of the affair.

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The party left cannot dislodge Fanfani unless they are joined by Prime Minister Moro—the most prestigious left-of-center Christian Democrat. Moro and Fanfani are long-standing rivals but,

In any event, the purge of the youth section will not help the Christian Democrats in the coming elections, especially if a proposal to lower the voting age to 18 passes parliament before June.

The Communist Party is certain to try to take advantage of the disarray, although for the moment the Communists are busy ironing out their own internal differences before the party's national congress later this month. The Communists are not nearly as divided as the Christian

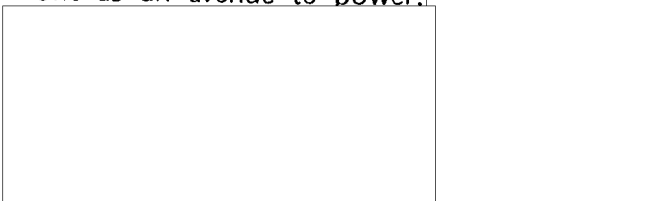
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Democrats, but there are internal differences over the timing and modalities of their push for a direct voice in the national government.

In addition, Communist leaders are concerned that the rank and file may be confused by party chief Berlinguer's strategy of seeking a modus vivendi with the Christian Democrats. Berlinguer has argued since late 1973 that Communist participation in a coalition with the Christian Democrats is preferable to a leftist front as an avenue to power.



PORTUGAL: CAUTIOUS OPTIMISM

Moderate civilian politicians in Portugal are professing cautious optimism about working out an acceptable compromise with the Armed Forces Movement regarding its future role in politics. The moderates may also be somewhat encouraged by the Movement's recent denunciation of the harassment of political parties, as well as by the promulgation of a long-awaited press law.

In mid-February the General Assembly of the ruling Armed Forces Movement approved tough and seemingly uncompromising proposals for continued military dominance of Portugal's government. The major non-communist parties, however, were forceful in presenting their opposition to the Movement's most objectionable proposals during meetings with a special committee of the Movement last week. Leaders of the Socialist and Social Democratic Center parties now reportedly believe a reasonable compromise can be reached on the military's future role in political affairs.

The Movement has the strength to dictate conditions, however, and if it refuses to compromise, the parties will almost certainly back down. The official opening of the campaign for

the constituent assembly election on April 12 appears to be tied to at least a basic agreement on the military's future role. The beginning of the campaign has already been postponed from March 3 to March 20, and any further delay would likely delay the election itself.

Perhaps stung by domestic and foreign criticism of the disruption in recent weeks of moderate and rightist political rallies, the Movement has publicly denounced such activities. Its Coordinating Committee blamed "professional agitators" and accused them of playing into the hands of reaction. The official communique made no mention of the political affiliations of the agitators, however, conveniently ignoring the fact that extreme leftists have been largely responsible for these violent incidents and that they have been directed for the most part against the non-communist parties. In any case, government security forces still suffer from a lack of training and poor discipline, and further disruptions are likely to occur.

Promulgation of the press law, the draft of which was released for public debate five months ago, represents a clear gain for the democratic forces. In its final form, the law eliminates the "ad hoc press commission," the continuation of which was sought by the Communists. The system of arbitrary discipline of the press by the commission has now been replaced by normal judicial procedures, including the right of the accused to a hearing in court.

In other political developments last week, the conservative Social Democratic Center and the Christian Democrats announced an election alliance to avoid splitting the conservative vote. They will run a joint list of candidates in the constituent assembly election, although individual party programs will be retained. Christian Democrat candidates hope to benefit from the Social Democratic Center's superior organizational structure, while the Social Democratic Center hopes to profit from the Christian Democrats' financial resources. The alliance should also provide additional organizational strength to withstand future harassment by extremists.



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TURKEY: POLITICAL WOES CONTINUE

Last weekend, President Koruturk asked Turkish caretaker Prime Minister Irmak to try again to form a government that can win a vote of confidence in parliament, but Irmak has already run into the same problems that doomed his initial effort last November. Although Koruturk called on Turkey's feuding political parties to suppress their differences in the face of the national crisis brought on by the Cyprus problem and growing public disorders, the various political leaders have continued to make the same demands that frustrated all earlier attempts to break the political impasse, now in its sixth month.

As before, Irmak announced that his intention was to form a "national coalition" that would combine Turkey's two largest parties—Bulent Ecevit's Republican People's Party and Suleyman Demirel's Justice Party. His hopes were dashed, however, when Demirel announced that his party would not participate. Nevertheless, Irmak will probably continue his negotiations with other political parties in an attempt to obtain enough support to win a vote of confidence.

The other three members of Demirel's four-party Nationalist Front appear to be following the lead of the Justice Party in rejecting Irmak's coalition idea. The apparent hope of the conservative Nationalist Front is that Irmak will fail and that the President will then be forced to turn to the front in an effort to break the political deadlock. It may indeed come to this—the four rightist parties together fall just seven or eight votes short of a parliamentary majority—but Koruturk strongly opposes such a move and will search for another alternative.

Irmak's only real hope now of putting together a majority government rests on whether he is able to bring the Republican People's Party and the small right-of-center Democratic Party into a coalition government.

Both parties reacted favorably to his initial call, but with Ecevit continuing to press for early elections and no other conservative party willing to join Irmak, the Democrats will probably begin to back away.

The consequences of another Irmak failure could be serious, as both he and President Koruturk have committed their prestige to a successful outcome of the current discussions. Many of the ministers in the present caretaker regime are eager to return to private life, and public confidence in the government is rapidly evaporating. One newspaper in Ankara has suggested that if a new government is not formed soon, Koruturk might resort to his ultimate weapon, resignation.

LACK OF PARTIES' WILLINGNESS TO PARTICIPATE UNDERMINES "NATIONAL COALITION" EFFORT.

The continuing deterioration of the Turkish political situation will further complicate efforts presently under way at the UN to develop a new approach for an eventual settlement of the Cyprus problem. The Security Council's search for a compromise formula that both the Greeks and Turks can accept has centered on a resumption of the intercommunal talks with a greater role for the Secretary General. The talks would be held in Nicosia and New York. The Turks have taken a strong stand against a direct role for the Security Council, being especially opposed to the Greek Cypriot demand for the inclusion of some non-permanent members.

Any new round of the talks would soon bog down, however, if the Turks were unwilling or unable to make at least some minor concessions. The present government has been unwilling to make any significant concessions, in part at least, because of its lack of political support in parliament. Unless a new government can be formed, the Turks are not likely to offer the kind of concessions that would be satisfactory to the Greek side in a new round of talks.

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ETHIOPIA: LAND REFORM ANNOUNCED

The ruling military council announced a sweeping land reform program on March 4. The measure will probably arouse widespread rural unrest and will pose a crucial test of the council's ability to survive at a time when it is seriously challenged by many other problems, especially the insurgency in Eritrea Province.

The program is intended to alter fundamentally the country's land tenure system, virtually unchanged for centuries. It provides for the nationalization of all agricultural land and for the transfer of the right to use the land to tenants currently cultivating it, up to a maximum of about 25 acres each. These landholders may not sell or transfer the property, but their heirs are guaranteed the right to its use when the current holders die. The government will compensate the former landowners for any permanent improvements, but not for the land itself.

All peasant debts and obligations to landlords are canceled. Landholders, except for single women, are forbidden to use hired labor. Large estates are to be state or communally operated, but will temporarily retain their present management.

Powerful landowners, especially those already leading low-level insurrections against the military, can be expected to resist the edict. In the northern provinces, they will probably be joined by small farmers and peasants who are strongly attached to a land tenure system based mainly on communal ownership of tribal lands.

The reforms will probably be better received among landless peasants in southern Ethiopia, where the land tenure system has featured large estates owned by privileged, usually absentee, aristocrats. In this area, the announcement may incite peasant attempts to seize land arbitrarily or to kill landowners who resist the council's proclamation. In many cases, tribal differences will add to traditional landlord-tenant animosities. Civil disturbances have been a serious problem in the south for some time.

The council expects its land reform program to lead to large-scale violence, but it believes the peasants will eliminate or neutralize landowners who have opposed the military government. The council is probably overrating its ability to control events and is misjudging the consequences of widespread disorders. The land reform issue could transform incipient uprisings in the northern provinces into full-scale rebellions. The army, spread thin because of its involvement in Eritrea, would be hard pressed to put down any other revolts. A further weakening of the council's position will probably lead to a revival of coup plotting by dissident military officers.

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Fighting Continues in Eritrea

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[redacted] The US embassy received word on March 3 that both army and insurgent forces incurred heavy losses during fighting on the road between Asmara and Keren, about 55 miles to the northwest. [redacted]

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[redacted]

Ground resupply of government forces in Eritrea continues to be hampered by maintenance problems and rebel interdiction of roads. Government forces do not yet face serious logistic problems, but individual units have reported shortages.

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Meanwhile, the ruling council has adopted a more favorable attitude toward Sudanese President Numayri's three-week-old peace proposal. A government delegation reportedly is preparing to leave soon for discussions in Khartoum. The Ethiopians apparently are willing to talk with rebel representatives as well as with the Sudanese.

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Prospects for productive negotiations, nonetheless, remain slim. The Ethiopians probably envisage only preliminary discussions, and may have planned the visit mainly as a delaying tactic. Numayri has called for talks without preconditions, but the Ethiopians continue to insist that discussions must be held within the framework of national unity. The rebels, for their part, are holding to their demand that the government first recognize Eritrea's right to independence before negotiations begin.

RHODESIA: NEW ROADBLOCK

The arrest on March 4 of Ndabaningi Sithole, a major black leader, has halted talks between the nationalists and Prime Minister Smith concerning a constitutional settlement. A prolonged break in the contacts would play into the hands of hard-line nationalists who want to resume the insurgency that the blacks formally renounced last December when they accepted a cease-fire agreement with Smith.

The Rhodesian authorities charged that Sithole, who was freed under the truce agreement after years in detention, was plotting to assassinate rivals in the African National Council, the umbrella nationalist group. According to a statement from the Salisbury government, Sithole was detained to protect his intended targets, and will be tried in camera to prevent victimization of witnesses.

Sithole was president of the Zimbabwe African National Union, the principal Rhodesian insurgent group until it merged with the enlarged African National Council last December; at that time, Sithole took a place on the executive committee of the council. Since gaining his freedom, Sithole has antagonized Smith by repeatedly threatening to resume fighting if Smith did not accede to an early transfer of power to the black majority.

Two meetings last month between Smith and council leaders, including Sithole, failed to produce agreement even on arrangements for the constitutional conference called for in the

truce agreement. Smith probably gambled that removing Sithole would tip the balance among the council's leaders in favor of moderates who are willing to maintain a truce during prolonged negotiations. Following Sithole's arrest, however, Bishop Muzorewa, the moderate president of the council, said that talks with Smith would be suspended until Sithole is freed and that the council will not participate in a constitutional conference until Smith releases all political prisoners. Smith suspended the further release of detainees in January, alleging cease-fire violations by the nationalists' guerrillas. 25X1

Sithole's arrest has already drawn a call for a resumption of fighting from members of his insurgent faction who have remained in Zambia, where they had directed guerrilla operations inside Rhodesia. Zambian President Kaunda and the other African leaders who helped arrange the cease-fire have sought to restrain these hard liners, who have never fully accepted the truce. Smith's heavy-handed treatment of Sithole, however, may force Kaunda and the other African leaders at least to permit the insurgents to step up preparations for a resumption of full-scale guerrilla operations.

Smith may have hoped that the charges against Sithole will convince South African Prime Minister Vorster, who has collaborated with Kaunda in the effort to promote a Rhodesian settlement, that the African National Council is so dissension ridden that it will never reach a consensus on the constitutional problem. Smith has been resisting pressure from Pretoria to refrain from aggressive counterinsurgency operations during settlement negotiations.

Sithole's arrest, however, could prompt Vorster to step up South African pressures on Smith to get on with the negotiations. Last January, Vorster promised Kaunda and the other African mediators that, in return for their restraining the Rhodesian hard liners, he would guarantee Smith's fulfillment of his part of the truce agreement. The African mediators may now ask Vorster to obtain Sithole's release in order to salvage the truce.

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VIOLENCE IN LEBANON

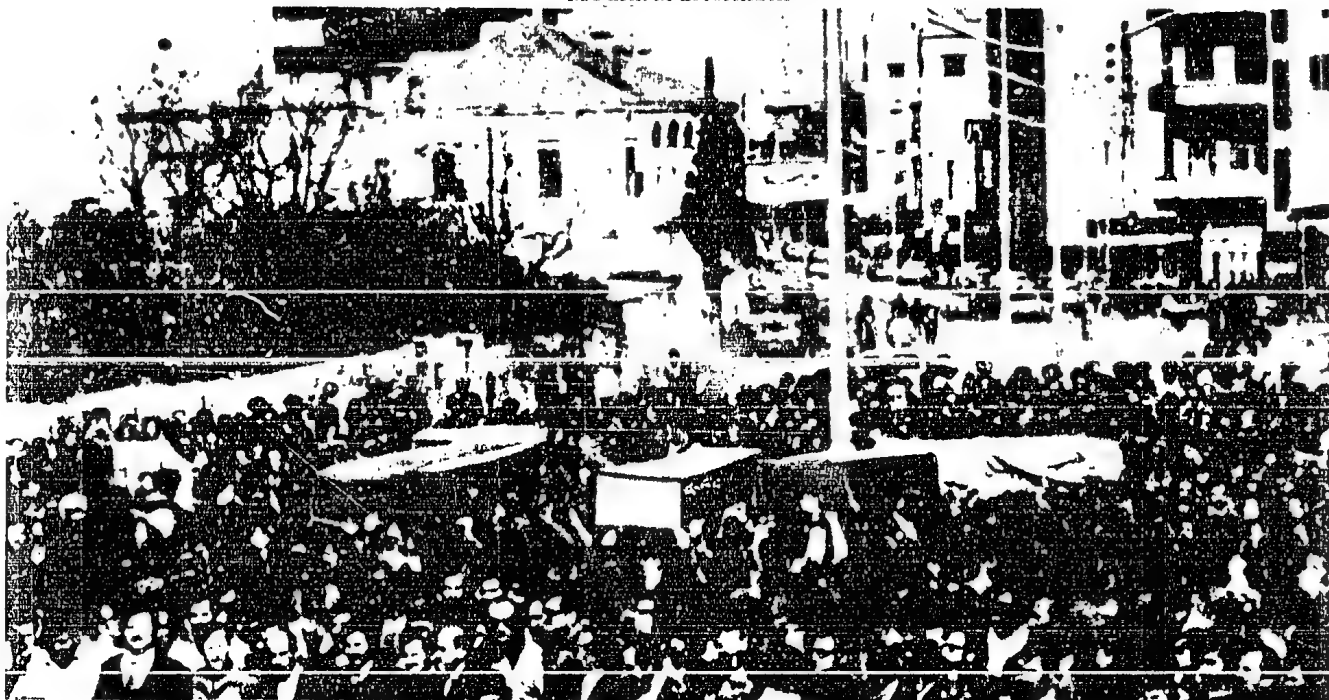
Armed clashes between Lebanese army units and leftist and fedayeen forces occurred on March 1 and 2 in the southern port city of Sidon. The violence grew out of a demonstration on February 26 over fishing rights. A cease-fire went into effect late Sunday, but only after nine soldiers or police and 10 to 15 civilians had been killed. Under the terms of the cease-fire, the army withdrew the bulk of its forces from Sidon and turned responsibility for maintaining public security over to the local police and to a hastily organized "popular committee" made up of representatives of several local groups, including the leftists.

Prime Minister Sulh's four-month-old government was severely shaken by the clash. Three cabinet members threatened to resign in protest over the army's intervention; two others threatened to resign if Sulh heeded calls from the leftists to sack the commander of the army. For the moment, Sulh appears to have fended off calls from several leftist and Muslim leaders that

he resign as well. The Prime Minister did, however, appoint a new acting governor for southern Lebanon, and is holding a series of cabinet meetings that will determine the future of his government.

The original demonstration mounted by local leftists was exploited by the fedayeen—probably elements of the extremist Popular Front for the Liberation of Palestine—in an attempt to draw the Lebanese army into conflict with the large number of Palestinian commandos in the area. Such a clash would embarrass the moderate leaders of the PLO, who, during the present period of uncertainty in their relations with Egypt, are extremely reluctant to jeopardize their reasonably good relations with the Lebanese government. Leaders of the largest fedayeen organization, Fatah, were apparently surprised by the fighting. They played a central role in arranging a cease-fire.

Mournful aftermath



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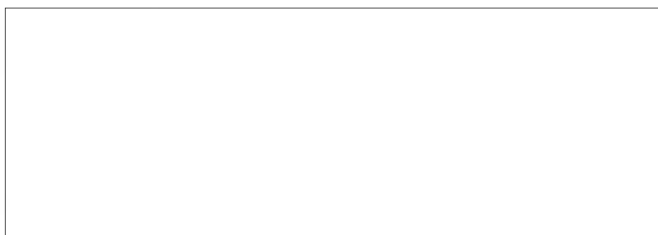
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JORDANIANS TO OMAN

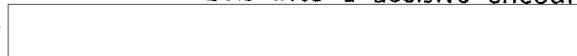
A Jordanian special forces battalion of some 550 men arrived in Oman last week aboard Iranian transport aircraft. The troops were requested by the Sultan late last year, but King Husayn agreed only after receiving the approval of Saudi Arabia's King Faysal and the Shah of Iran. As an added inducement, the Sultan agreed to pay the Jordanians' expenses.

In addition to the troops, King Husayn is providing the Sultan with 31 aging British-made Hawker Hunter fighter-bombers. The first of the aircraft flew to Oman late last month and the remainder are scheduled to arrive within the next few weeks. Because the Sultan's air force has only one qualified Omani pilot, four Jordanian pilot, and a number of technicians will stay in Oman for approximately six months to assist the Omanis. Husayn also is considering training Omani pilots in Jordan. British pilots serving with the Sultan's air force will fly most of the Hunters.



Despite their age, the Hunters are well suited to the kind of warfare being waged against the Dhofari rebels, and their arrival may cause the Sultan to reconsider the necessity of obtaining the Iranian F-5s that the Shah has agreed to provide.

Meanwhile, the Iranians are building a second blockade—the "Demavand Line"—to restrict further the area of rebel activity. The Sultan's forces have launched an operation against a rebel headquarters east of this line. The Omanis have captured a supply base, but have not forced the rebels into a decisive encounter.



IRAN: DROPPING A FACADE

The Shah's announcement this week that he is establishing a single-party regime represents an abrupt reversal of his recent policy supporting the concept of a multi-party system. The move reflects the Shah's extreme sensitivity to past criticism and implies an even more intolerant approach to any opposition in the future.

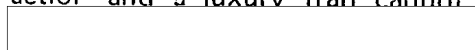
At a press conference on March 2, the Iranian ruler announced he had established the Iranian Resurgence Party and that it would absorb the four parties that have been functioning within Iran's controlled political system.

Prime Minister Hoveyda was named to lead the new organization for at least the next two years. Membership will be based on support of the monarchy, the constitution, and the "White Revolution"—the broad program of social and economic modernization launched by the Shah in 1963. The Shah urged all Iranians of voting age to join the new party. Those who do not, he made clear, risk being viewed as his opponents—if not traitors—and "should not have any expectations" of sharing in Iran's progress.

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The Shah's action negates his earlier promise of freer elections. The general elections scheduled for summer apparently are still to be held, but it is not clear how they will be organized within the new framework. In any case, the multi-party system that has operated in Iran since 1967 was never more than a facade behind which the Shah continued to run the country.

The Shah may believe that Iranian international prestige now is such that it is no longer necessary to make a pretense of democratic choice—a political mechanism he has always regarded as foreign to the Iranian tradition. He has recently spoken of Western-style parliamentary democracy as a hindrance to decisive action and a luxury Iran cannot afford.



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INDIA AND THE BIG POWERS

Recent developments in India's relations with the USSR, China, and the US reflect a policy of maintaining strong ties with the Soviet Union while moving cautiously toward better relations with the other two major powers.

India - Soviet Union

Soviet Defense Minister Grechko, who was in New Delhi from February 24-27 to discuss India's defense needs, is the most important Soviet official to visit India since Brezhnev's trip in late 1973. Grechko's visit took on added significance in view of Washington's recent policy change that will permit a resumption of arms sales to Pakistan. Although there is no confirmation that any agreements were reached, Grechko may well have signed a new military accord. In any event, his visit created a generally warm atmosphere for expected future discussions on military cooperation. He probably also renewed an invitation for Prime Minister Gandhi to visit Moscow in the near future.

New Delhi has sought unsuccessfully for the past year to secure new and better military and economic aid from the Soviets and has been dissatisfied with some aspects of trade relations. Moscow, for its part, senses New Delhi's discontent and wants to prevent an erosion of the present close military and economic cooperation. The Soviets are also concerned about recent signs of China's interest in better relations with India. They are worried that an improved Sino-Indian connection might weaken their close ties with India.

India-China

Peking has recently emitted a number of informal public signals suggesting that it wants to improve relations, which have been frozen at

the charge level since the Sino-Indian war of 1962. The most authoritative indicator came from Chinese Vice Premier Chen Hsi-lien, who apparently made a point of stopping at Calcutta airport last week on his way home from the coronation of the Nepalese King. Chen told newsmen gathered at the airport that Peking is prepared to talk with India about normalizing relations.

China's interest in better ties with India is strategic. Peking hopes to reach agreement with New Delhi on unresolved border problems and, over the long term, reduce Soviet influence. Indian resistance to Soviet pressure for political and military concessions is apparently one factor that has encouraged Peking to be more flexible toward New Delhi.

The Indians have responded cautiously to the Chinese initiatives, preferring to wait for additional assurances through diplomatic channels. India's caution stems in part from China's past failures to reciprocate Indian gestures toward improved relations. Mrs. Gandhi is probably prepared to open a dialogue and eventually upgrade bilateral ties once she is convinced the Chinese are in earnest.

India-US

New Delhi reacted critically but with relative restraint to Washington's termination of its ten-year embargo on arms sales to South Asia. Although top Indian officials, including Prime Minister Gandhi, are clearly not pleased that Pakistan can again obtain weapons in the US, they apparently want to avoid jeopardizing India's recently improved relations with Washington. New Delhi hopes strengthened ties will lead to substantial increases in trade and aid. 25X1

Indians protest end of arms embargo



Foreign Investments THE WEST TIGHTENS UP

Several Western countries are taking a new look at foreign investments in their domestic industries, and some are tightening their regulations. Originally, many of these regulations had been adopted to fend off US investment, but now the concern is investment by members of the Organization of Petroleum Exporting Countries.

Canadian Finance Minister Turner has said that, while OPEC investment is welcome, Ottawa would prefer that it be in debt issues rather than in equities. No specific controls on purchases by OPEC countries are now in force, but Canada's eight-month-old Foreign Investment Review Act gives the government broad powers to limit foreign ownership. Under this act, a review agency screens all proposed foreign take-overs of Canadian firms. A take-over is defined as the acquisition of 5 percent of the shares in publicly held firms or 20 percent of the shares of a privately held firm. In its first seven months, the agency reviewed 54 applications, approving 36 and rejecting nine; nine applications were withdrawn.

France opposes investment by OPEC members in defense-related industries, but reportedly will not block other purchases. Existing regulations give the government broad powers to limit all foreign purchases, and the minister of economy and finance must approve the sale of a controlling interest in a French firm. The director of the treasury decides what constitutes a controlling interest, except for firms listed on the stock exchange, where control is defined as more than 20 percent of the equity interest.

Japan has a number of legal and administrative tools to control foreign equity purchases. The acquisition of more than 10 percent of a firm by a foreign individual or more than 25 percent of a firm by foreigners as a group must receive prior approval from the firm's directors and the Ministry of Finance. Ministry approval generally is granted if the firm's directors agree. Foreign investment is now prohibited in 19 key industries, but Tokyo began to implement a plan early last year to reduce the number of protected industries to five by May 1976. This move toward liberalization of capital controls

could still go forward without reducing Tokyo's ability to limit an influx of equity funds by OPEC members.

In the **United Kingdom** all foreign direct investment is subject to prior government approval. In most cases, this approval is quickly granted, but the government carefully examines all proposed take-overs that affect vital British industrial interests. Foreigners are permitted to purchase equities on the stock exchange without regulation, but purchases outside of the exchange must be approved by the government. Parliament is now considering legislation that would strengthen the government's power to limit equity investment by foreigners.

West Germany has been concerned about equity investment by OPEC states since Kuwait unexpectedly purchased 15 percent of Daimler-Benz stock. A plan drafted by the Economics Ministry provides for prior notification of all proposed foreign equity purchases in excess of \$40 million or of 10 percent or more of a firm with annual sales in excess of \$40 million. Bonn is also considering setting maximum levels for foreign investment in 700 firms classified as sensitive. Bonn will use these steps as interim measures until it can obtain legislation that would give it broad powers based on national interests to exclude unwanted equity purchases by OPEC countries.

Outlook

The share of funds from OPEC countries going into equities will grow in 1975, creating added pressures for new controls. In 1974, less than 3 percent of the surplus revenues of OPEC states was invested in equities, and most was not large enough to affect control of a company.

The decline in short-term interest rates and the growing sophistication of Arab investment institutions will, however, increase the portion of OPEC revenues going into equities this year. Countries with good long-term economic prospects or strong currencies, such as the US and West Germany, will be prime targets.

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OPEC: MAINTAINING GAINS

The first summit meeting of OPEC chiefs of state took place in Algiers this week. Rulers of Saudi Arabia, Iraq, Libya, Indonesia, and Nigeria decided not to attend but sent lesser officials.

Algerian President Boumediene opened the meeting on March 4 by proposing that the OPEC states freeze the price of oil from the fourth quarter of 1975 through the remainder of this decade, only allowing the price to rise with worldwide inflation. In December, the price had been frozen for the first three quarters of the year. Boumediene also proposed that oil consumers guarantee the producers a minimum long-term oil price, offer protection for OPEC foreign investments, reform the world monetary system to protect the producers from declines in the value of consumer-country currencies, and agree to join in a massive aid fund for developing countries.

The opening statement by the Algerian President, hitherto one of the more radical of the OPEC spokesmen, reflects the defensive posture being assumed by the OPEC leadership in recent months. Gone are the demands for further sharp increases in the price of oil. Instead, the leadership seems to be concentrating on maintaining recent gains and on getting the world to recognize the cartel as a legitimate player on the world stage.

The OPEC leaders endorsed a noncommittal declaration of principles, accepting only 14 of the 48 propositions submitted by Algeria. The heads of state gave general approval to a five-year stabilization of the price of oil and endorsed the principle of indexing oil prices to imports by OPEC members, but left the task of devising how such a scheme would work to expert committees.

The OPEC leaders decided to shelve Algeria's proposals that would have committed oil producers to specific steps to ease the burden of oil prices on the developing countries and to press for reform of the international trade and

monetary systems. The moderate oil producers apparently want to ensure that Algeria does not emerge as the spokesman for OPEC at coming consumer-producer meetings.

According to press reports, Saudi Arabia, Iran, and Venezuela led the way in rejecting the establishment of the \$10-15 billion aid fund for the developing states. The conferees also passed over a proposal that oil producers undertake a program to supply approximately two thirds of the impoverished countries' fertilizer needs.

Discussion of other sensitive issues that could threaten the cartel's solidarity was postponed. Instead, the delegates were content to endorse the actions taken last week by the oil ministers in Vienna:

- To postpone until April consideration of ways to offset the decline in the value of the US dollar.
- To postpone coordination of members' oil production levels until June, when further studies are expected to be completed.
- To continue the freeze on oil prices through the end of September 1975, confirming the decision made by the oil ministers last December.
- To permit the United Arab Emirates to reduce the price of its oil by about 5 percent.

Paris sent out invitations on March 4 to nine countries and the European Community for a preparatory energy meeting in Paris on April 7. Saudi Arabia, Iran, Venezuela, and Algeria were asked to represent OPEC. The French timing of the invitations may be intended to cut short a general OPEC debate about which countries should represent the oil producers and to influence the choice of countries representing oil-importing developing countries.

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LATIN AMERICA: REACTIONS TO KISSINGER SPEECH

Those Latin American countries that have, in varying degrees, taken an adversary position against the US, continued this tone in reacting to Secretary Kissinger's recent hemispheric policy statement. Some commentators, however, considered the statement a step toward reviving the dialogue between the US and Latin America.

Ecuador stands out as the harshest critic of the moment. President Rodriguez, en route to the OPEC summit at Algiers, rejected what he called US accusations that his government was to blame for derailing the inter-American dialogue. An official communique from Quito reaffirmed a policy of "not negotiating under pressure," and took another swipe at the US Trade Reform Act.

Negative reaction flowed also from Caracas, but it varied in stridency from party to party. Government partisans agreed with the Secretary's references to a Latin spirit of confrontation with the US, but averred that this attitude is justified by history. Spokesmen for more leftist parties saw veiled threats against countries that associate to defend prices for their raw materials.

Peru, which is preoccupied with internal problems, has given no official reaction, but the government-influenced press "rejected" the speech and referred to the need for a Latin economic organization that excludes the US. The Lima media also discerned a "threat" in the speech and deprecated statements on Cuba as a "timid opening."

The Panamanian press was characteristically ambivalent. On the one hand, it endorsed the criticisms voiced by Ecuador and Venezuela; on the other, it characterized the secretary's statements on the canal negotiations as reasonable.

Havana's failure to respond so far is an indication of the care with which the Castro regime is studying its options. The pause implies that the Cubans are considering a positive reac-

tion, however, because a negative position would almost certainly have been stated immediately. Castro is keenly aware of the considerable impact his reply will have in Latin America and on his relations with other hemispheric leaders, and he wants to be sure that the timing and tenor of his response will not be misinterpreted as a weakening of his fundamental antipathy toward the US. He may choose March 13—a national commemorative day usually marked by a major address by a top regime official—to reveal his thoughts; in any case, his remarks will be directed as much to the rest of Latin America as to the US.

Reaction out of most other capitals has been typically slow. Several small countries, such as Haiti and the Dominican Republic, which regularly voice pro-US opinion, have commented favorably, but larger countries that follow a moderate foreign policy have not yet been heard from publicly. At least some Brazilian officials are known to be taking the line that the speech was not very encouraging from their point of view, though they admire the frankness of its approach. They interpret the statement as a warning that Latin America cannot and should not expect unilateral concessions from the US.

Whatever their current attitudes about the state of inter-American relations, the Latin governments will be anxious to see what might develop from the Secretary's trip to South America. Some remain skeptical that the trip will materialize, and think that the advance trip by Assistant Secretary Rogers may in the end prove to be a "substitute."

This week, the OAS met and agreed to postpone the General Assembly until May 8. Diplomatic activity among the Latins in preparation for the conference will continue to be intense. The agenda includes a number of important issues, such as restructuring the inter-American system and the election of a new secretary general. 25X1

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CUBAN ECONOMY ON UPSWING

Cuba's economic situation brightened considerably in 1974, mainly as a result of record world sugar prices, better management, increased productivity, and a growing labor force. While gains have been exaggerated by Cuban officials, the economy is without doubt on its soundest footing since Castro came to power in 1959.

In the five years since the disastrous drive to get in a ten-million-ton sugar crop, Havana has been under Soviet pressure to change its economic practices and has responded by:

- Improving planning procedures and introducing cost-accounting principles.
- Raising labor productivity through the re-introduction of Soviet-style work quotas and improvements in labor organizations and working conditions.
- Recruiting increasing numbers of women into the work force.
- Mechanizing the sugar harvest, which has reduced the need for Castro's disruptive and uneconomic practice of recruiting "volunteers" from other industries.
- Substantially reducing worker absenteeism, which had become a serious problem, by enacting an anti-vagrancy law.
- Using material incentives to supplement revolutionary exhortation.

The change shows up in Cuba's dramatically improved foreign trade picture in 1974. Total export earnings soared to at least \$2.6 billion—approximately double 1973—giving Cuba what appears to be its first trade surplus under Castro. Hard currency earnings alone nearly tripled to about \$1.2 billion.

About 60 percent of Cuba's imports came from communist countries, mainly the USSR. The 40 percent from the non-communist world, up from 25 percent in 1973, was made possible by increased foreign exchange earnings and commercial credits from Argentina, Canada, and Peru. Cuba's major non-communist trading partners last year were Western Europe, Argentina, and Japan. Increased imports from non-communist countries further diminished the impact of the US and OAS embargoes.

Despite these shifts, Cuba retains close economic ties with the USSR, which continues to provide virtually all of its petroleum needs—at about 50 percent of world prices. The Soviets also provide the major share of Cuba's imports of capital equipment and food.

The improvement in Cuba's financial situation has encouraged the government to go ahead with its first five-year plan, which will be launched next year. The plan aims for continued growth of from 6 to 9 percent a year. The accent of the five-year plan will be on investment. Some \$15 billion reportedly will be spent, more than half of it for imported equipment. The plan also confers some benefits on the Cuban consumer, including a possible decrease in rationing.

Given normal weather, sugar production should increase gradually if mechanization continues. Production of other crops will probably increase in response to better management and the availability of more fertilizer. Construction activity will be strong with emphasis on the transportation and industrial sectors. Industrial production ought to rise after several plants, now being contracted for, are completed. No major advances are anticipated in mining until the end of the decade, when large investments in the nickel industry will probably begin to pay off.

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PERU: THE POLITICS OF SUCCESSION

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Despite having suffered a stroke on February 28, President Velasco reportedly has met with his cabinet ministers and is resisting pressure from other military leaders that he step down.

Most top officers probably feel that the time has come for Velasco to relinquish power, even if he should recover from this medical setback.

A definite prognosis on Velasco's condition may not be possible for several more days, but his condition remains unstable. If he suffered a major stroke, his convalescence will be long and his recovery will be incomplete. If it was only a "small" stroke, his recovery would be rapid and nearly complete.



Morales Bermudez

There are probably disagreements within the cabinet over who will succeed Velasco, and a final solution may not be forthcoming for some time. While a majority of officers in all three services probably favor Prime Minister Morales Bermudez as Peru's next president, his support at the cabinet level, where more radical officers are in the majority, does not appear as strong. The radicals, along with Velasco, probably prefer that an officer whose political views are closer to those of the President should follow him in office, and may be able to prevent Morales Bermudez from assuming the presidency on a permanent basis at this time

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Morales Bermudez probably has sufficient support within the armed forces now to take over at least some of the duties of president, however, and if he asserts himself, he should be able to capitalize on this support. If Velasco's medical problems prevent him from resuming his duties in any significant way, even the radicals in the cabinet may eventually throw their weight behind Morales Bermudez in the interests of "institutional unity."

Another factor working in Morales Bermudez' favor is the probability that many military leaders feel that, now more than ever, the country needs stable, consistent leadership, something Velasco has been increasingly less able or willing to provide in recent months. These officers probably believe that Morales Bermudez possesses the qualifications necessary to begin building a base of popular support for the regime and to avert violent anti-government disturbances such as occurred in Lima in early February. In addition, Velasco's current illness underscores the fact that he may be incapacitated at any time, adding to the uncertainty over the government's ability to rule effectively.

While President Velasco exhibits a phenomenal will to hang on to his position as head of the government, he is not as strong a position

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as he was in 1973, when he bounced back after a near-fatal ruptured abdominal aneurysm and subsequent leg amputation. Circumstances being what they are, it is unlikely that Velasco will be able to duplicate this feat a second time.

The Peronist government might have been able to produce one of the four prisoners the guerrillas had demanded in return for the consul's safety. Two others reportedly were dead.

Argentina

TERRORISTS TARGET US CITIZENS

Terrorist groups in Argentina may be planning further abductions of US citizens following the killing last week of the US honorary consul in Cordoba. The incident has caused President Peron's government acute embarrassment since it points up the inability of security forces to retard the high incidence of violence even under the provisions of a state of siege.

So far the government has failed to explain to the US ambassador's satisfaction why bodyguards assigned to protect the consul were removed a few days before he was kidnapped. Questions have also been officially raised as to why the government refused to try to ransom the consul but subsequently acceded to terrorist demands in order to secure the release of the chief justice of the Buenos Aires provincial supreme court.

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the consul's abduction was the beginning of a campaign against US citizens to force the government to treat captured leftists more humanely. A press dispatch has also reported that leaflets distributed by the consul's kidnapers stated that their victim was "the first on a long list of servants of imperialism in Argentina" who will have to "render accounts."

Additional attacks against US citizens would further complicate US-Argentine relations. Diplomatic personnel within the embassy have already been reduced from around 200 to 90, and no one is currently assigned outside of Buenos Aires.

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